

Descriptions of Investment Choices

401(k) Savings & Investment Plan Retirement Program



General Philosophy Regarding Investment Choices

The investment choices made available to participants in the 401(k) Savings & Investment Plan and the Retirement Program (which consists of the Retirement Accumulation Plan and Employee Stock Ownership Plan) are selected by the Investment Committee. The Committee is made up of Merrill Lynch employees who serve at the discretion of the Company.

The investment menu on the following page comprises funds representing a diverse range of investment objectives with different levels of risk and potential return.

The investments in the Plans represent the basic building blocks of investing, or *asset classes*—equities, bonds and cash equivalents. The investments are further organized into sub-asset classes, such as small-cap, mid-cap or large-cap. Balanced funds allow the manager to allocate the assets among equities, bonds and/or cash equivalents, based on market and economic conditions.

A Few Words on Fees

Investing through the 401(k) Savings & Investment Plan can be a cost-effective means of gaining market exposure. Plan participants are able to invest in institutional shares of the mutual funds offered through the Plan, with no sales charges and with total expense ratios generally below those available to individual investors.

- The Plans offer the Merrill Lynch Retirement Preservation Trust* (a stable value fund) and four index trust funds – all with management fees waived.
- The mutual funds held by the Plans may make payments to the Merrill Lynch Retirement Group; these payments are used to defray Plan expenses so participants do not pay direct fees for administration. The payments are reflected in the net returns and expense ratios reported in the funds' periodic reports. Merrill Lynch's receipt and use of the payments to defray Plan expenses do not directly affect the investment returns of your Plan account.

THE PLANS PROVIDE A VARIETY OF INVESTMENTS.

The investments were specifically selected for participants who have the majority of their savings in the 401(k) and retirement accounts. The investment menu offers funds representing a diverse range of investment objectives with different levels of risk and potential return.

**This is a collective trust that seeks to maintain a \$1 net asset value per unit, although achievement of that objective cannot be assured.*

Pages 6-15 of this document constitute part of the 401(k) Savings & Investment Plan prospectus covering securities that have been registered under the Securities Act of 1933.

401(k) Savings & Investment Plan and Retirement Program Investment Options

■ Equity Funds

Large Cap Growth

American Funds - The Growth Fund of America
Class R5
BlackRock Fundamental Growth Fund Class I
BlackRock Large Cap Growth Retirement Portfolio
Class K

Large Cap Value

BlackRock Basic Value Fund Class I
BlackRock Equity Dividend Fund Class I
BlackRock Large Cap Value Retirement Portfolio
Class K
Hotchkis & Wiley Large Cap Value Fund Class I

Large Cap Core

BlackRock Large Cap Core Retirement Portfolio
Class K

Mid Cap Growth

Evergreen Mid Cap Growth Fund Class I
Harbor Mid Cap Growth Fund Institutional Class

Mid Cap Value

Hotchkis & Wiley Mid-Cap Value Fund Class I

Small Cap Growth

Artisan Small Cap Fund Investor Class*
BlackRock Small Cap Growth Fund II Class I

Small Cap Value

BlackRock Value Opportunities Fund Class I

Small Cap Core

Columbia Small Cap Value Fund II, Class Z

Global/International

BlackRock Global Dynamic Equity Fund
Institutional Class
BlackRock Global SmallCap Fund Class I
BlackRock International Value Fund Class I
Templeton Institutional Foreign Equity Fund Class I

■ Balanced Funds

U.S. Balanced

BlackRock Balanced Capital Fund Class I
Dodge & Cox Balanced Fund

Global Balanced

BlackRock Global Allocation Fund Class I

■ Bond Funds

Investment Grade Bonds

BlackRock Total Return Fund Class I
GSIF U.S. Government Zero Coupon Bond
Series 3 - 2009 Trust
PIMCO Total Return Fund Institutional Class

High Yield Bonds

MainStay High Yield Corporate Bond Fund
Class I

■ Cash Equivalents/Stable Value

Merrill Lynch Premier Institutional Fund†
Merrill Lynch Retirement Preservation Trust‡

■ Other

Index Funds

Merrill Lynch Core Bond Enhanced Index
Trust Tier III
Merrill Lynch Equity Index Trust Tier III
Merrill Lynch International Index Trust Tier III
Merrill Lynch Small Cap Index Trust Tier III

Company Stock

Merrill Lynch & Co., Inc. Stock

* This Fund has been classified by the Plan investment consultant. All other funds have been classified by Lipper.

† An investment in the Fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in the Fund.

‡ This is a collective trust that seeks to maintain a \$1 net asset value per unit, although achievement of that objective cannot be assured.

For more complete information on the investment options, including their management fees and other charges and expenses, please consult the prospectuses and other comparable documents. Investors should carefully consider the investment objectives, risks, charges and expenses before investing. This, and additional information about the investment options, can be found in the prospectuses, which can be obtained via the web at www.benefits.ml.com or by calling Merrill Lynch at 800.MER.401K. Please read these documents carefully before investing.

Investments

The information on the following pages describes the investment options in the Plans. The description of each investment includes the information described below.

Symbol

The symbol is used on Merrill Lynch data reporting systems and other media. The symbol N/A is used when the investment is not listed on the electronic media.

IVR Code

The IVR code number is used to access information about the particular investment through the Merrill Lynch Employee Retirement Savings Center Interactive Voice Response (IVR) system.

Fund Objective

Each investment available in the 401(k) Savings & Investment Plan and the Retirement Program has a specific investment objective. Each type of objective has certain risks and offers the potential for different rewards. The common objectives are capital preservation, income, growth and income, and growth.

Lipper Fund Classification

Lipper classifies mutual funds according to market capitalization (Large-Cap, Mid-Cap, Small-Cap and Multi-Cap), and then by investment style, such as Value, Core, and Growth. Additional classifications include International, Equity Income, Balanced and Debt Funds. The Lipper classification provides more detail on the investment approach followed by the funds for investors looking to create a diversified portfolio.

Diversification Can Help Limit Your Risk.

Diversification, or spreading your assets among several investments, will make your overall potential return a weighted average of the returns of those investments. So even if one investment does poorly, another may do better, thereby potentially improving your overall return. Keep in mind that diversification cannot ensure a profit or protect against loss.

Each of the Plan's investment options, except company stock, provides some degree of diversification. That's because the portfolio manager invests the fund's assets in dozens, or often hundreds, of individual stocks or bonds. You can increase your level of diversification by investing in several different funds.

Investing in mutual funds, which are intended as long-term investments, involves risk, including the possible loss of principal. Investments in foreign securities or sector funds, including technology or real estate stocks, are subject to substantial volatility due to adverse political, economic or other developments and may carry additional risk resulting from lack of industry diversification. Funds that invest in small- or mid-capitalization companies experience a greater degree of market volatility than those of large-capitalization stocks and are riskier investments. Bond funds have the same interest rate, inflation, and credit risks associated with the underlying bonds owned by the fund. Generally, the value of bond funds rises when prevailing interest rates fall and falls when interest rates rise. Investing in lower-grade debt securities ("junk" bonds) may be subject to greater market fluctuations and risk of loss of income and principal than securities in higher rated categories. There are ongoing fees and expenses associated with owning mutual funds. Bear in mind that higher return potential is accompanied by higher risk.

Participants in the 401(k) Savings & Investment Plan and the Retirement Program qualify to purchase Class I, Class A, or Class R5 (where applicable) shares of the mutual funds described in this brochure at net asset value. This means participants do not pay sales charges. However, management fees and other charges and expenses apply to both funds and trusts, and are reflected in their net investment returns. For the latest performance information on any investment option, including the most recent month-end fund performance, call 800.MER.401K. Outside the U.S., call 609.818.8817 collect.

Equity Funds

Large Cap Growth

American Funds - The Growth Fund of America Class R5

Symbol: RGAFX

IVR Code: 12275

Fund Objective: Growth

Lipper Fund Classification: *Multi-Cap Growth Funds*

Fund Description:

The Fund seeks to provide long-term growth of capital through a diversified portfolio of common stocks. The Fund emphasizes companies that appear to offer opportunities for long-term growth, and may invest in cyclical companies, depressed industries, turnaround and value situations. The Fund invests primarily in common stocks, convertibles, preferred stocks, U.S. government securities, bonds and cash. The Fund may invest up to 15% of assets in securities of issuers domiciled outside the U.S. and not included in the S&P 500. The Fund may be appropriate for long-term investors who are willing to accept changes in the value of their investments due to the regular fluctuations of stock prices.¹

BlackRock Fundamental Growth Fund Class I

Symbol: MAFGX

IVR Code: 519

Fund Objective: Growth

Lipper Fund Classification: *Large-Cap Growth Funds*

Fund Description:

The investment objective of the Fund is to seek long-term growth of capital. The Fund tries to achieve its objective by investing primarily in a portfolio of common stocks of U.S. companies that Fund management believes have shown above-average growth rates in earnings over the long term. The Fund may be appropriate for long-term investors who are willing to accept changes in the value of their investments due to the regular fluctuations of stock prices.²

BlackRock Large Cap Growth Retirement Portfolio Class K

Symbol: MKLHX

IVR Code: 15624

Fund Objective: Growth

Lipper Fund Classification: *Multi-Cap Growth Funds*

Fund Description:

The Fund seeks long-term capital growth. The Fund invests primarily in a diversified portfolio of equity securities of large cap companies located in the United States that Fund management believes have good prospects for earnings growth. The Fund may be appropriate for long-term investors who are willing to accept changes in the value of their investments due to the regular fluctuations of stock prices.²

Large Cap Value

BlackRock Basic Value Fund Class I

Symbol: MABAX

IVR Code: 30

Fund Objective: Growth & Income

Lipper Fund Classification: *Large-Cap Value Funds*

Fund Description:

The investment objective of the Fund is to seek capital appreciation and, secondarily, income by investing in securities that management of the Fund believes are undervalued and therefore represent basic investment value. The Fund invests primarily in common stocks of U.S. companies. The Fund may also invest in foreign securities. The Fund focuses on companies with market capitalizations of over \$5 billion. The Fund may be appropriate for long-term investors who are willing to accept changes in the value of their investments due to the regular fluctuations of stock prices.^{1,2}

BlackRock Equity Dividend Fund Class I

Symbol: MADVX

IVR Code: 145

Fund Objective: Growth & Income

Lipper Fund Classification: *Equity Income Funds*

Fund Description:

The investment objective of the Fund is to seek long-term total return and current income. The Fund invests primarily in investments that fund management believes will increase in value over the long-term as well as provide current income. The Fund may be appropriate for long-term investors who are willing to accept changes in the value of their investments due to the regular fluctuations of stock prices.

BlackRock Large Cap Value Retirement Portfolio Class K

Symbol: MKLVX

IVR Code: 15625

Fund Objective: Growth

Lipper Fund Classification: *Multi-Cap Value Funds*

Fund Description:

The Fund seeks long-term growth of capital. The Fund invests primarily in a diversified portfolio of equity securities of large cap companies located in the United States that Fund management believes are undervalued. The Fund may be appropriate for long-term investors who are willing to accept changes in the value of their investments due to the regular fluctuations of stock prices.²

Hotchkis & Wiley Large Cap Value Fund Class I

Symbol: HWLIX

IVR Code: 727

Fund Objective: Growth & Income

Lipper Fund Classification: *Equity Income Funds*

Fund Description:

The Fund seeks current income and long-term growth of income, as well as capital appreciation. The Fund primarily invests in common stocks of large-capitalization U.S. companies. The Fund also invests in stocks with high cash dividends or payout yields relative to the market. The Fund may be appropriate for long-term investors who are willing to accept changes in the value of their investments due to the regular fluctuations of stock prices.

Equity Funds

Large Cap Core

BlackRock Large Cap Core Retirement Portfolio Class K

Symbol: MKLRX

IVR Code: 15623

Fund Objective: Growth

Lipper Fund Classification: *Multi-Cap Core Funds*

Fund Description:

The Fund seeks long-term capital growth. The Fund invests primarily in a diversified portfolio of equity securities of large cap companies located in the United States. The Fund will use an investment approach that blends growth and value in seeking to achieve its objective by investing primarily in common stock of companies the Investment Adviser selects from among those included in the Fund's applicable benchmark, the Russell 1000 Index. The Fund may be appropriate for long-term investors who are willing to accept changes in the value of their investments due to the regular fluctuations of stock prices.²

Mid Cap Growth

Evergreen Mid Cap Growth Fund Class I

Symbol: EKAYX

IVR Code: 12420

Fund Objective: Growth

Lipper Fund Classification: *Mid-Cap Growth Funds*

Fund Description:

The Fund seeks long-term capital growth. The Fund will invest primarily in the common stocks of U.S. companies with medium market capitalizations (i.e., companies whose market capitalizations fall within the range of market capitalizations of the constituent companies in the Russell Midcap Index, at the time of purchase). The Fund may be appropriate for long-term investors who are willing to accept the increased volatility associated with stocks of medium- capitalization companies.³

Harbor Mid Cap Growth Fund Institutional Class

Symbol: HAMGX

IVR Code: 14178

Fund Objective: Growth

Lipper Fund Classification: *Mid-Cap Growth Funds*

Fund Description:

The Fund seeks long-term growth of capital. The Fund invests primarily in equity securities, principally common and preferred stocks of mid-cap companies. The Fund may be appropriate for long-term investors who are willing to accept the increased volatility associated with stocks of medium capitalization companies.³

Mid Cap Value

Hotchkis & Wiley Mid-Cap Value Fund Class I

Symbol: HWMIX

IVR Code: 733

Fund Objective: Growth

Lipper Fund Classification: *Mid-Cap Value Funds*

Fund Description:

The Fund seeks capital appreciation. The Fund normally invests at least 80% of its net assets plus borrowings for investment purposes in common stocks of mid-capitalization U.S. companies. The Advisor currently considers mid-cap companies to be those with market capitalizations like those found in the Russell Midcap Index. The Fund can invest up to 20% of its total assets in foreign securities. The Fund may be appropriate for long-term investors who are willing to accept the increased volatility associated with stocks of medium-capitalization companies.^{1,3}

Small Cap Growth**Artisan Small Cap Fund Investor Class**

Symbol: ARTSX

IVR Code: 13182

Fund Objective: Growth

Morningstar Fund Classification: *Small Growth***Fund Description:**

The Fund seeks maximum long-term capital growth. The Fund invests primarily in U.S. companies and, under normal market conditions, the Fund invests at least 80% of its net assets in the common stocks of small companies. The Fund may be appropriate for long-term investors who are willing to accept the increased volatility associated with stocks of small-capitalization companies.⁴

BlackRock Small Cap Growth Fund II Class I

Symbol: MASWX

IVR Code: 5919

Fund Objective: Growth

Lipper Fund Classification: *Small-Cap Growth Funds***Fund Description:**

The Fund's main objective is long-term capital growth. The Fund will, under normal circumstances, invest at least 80% of its assets in equity securities of small-cap companies and invest at least 80% of its assets in securities or instruments of issuers located in the United States. In selecting securities, the Fund emphasizes those securities that Fund management believes have above-average prospects for earnings growth. The Fund may also invest in securities that Fund management believes are undervalued. The Fund may be appropriate for long-term investors who are willing to accept the increased volatility associated with stocks of small-capitalization companies.^{2,4}

Small Cap Value**BlackRock Value Opportunities Fund Class I**

Symbol: MASPX

IVR Code: 142

Fund Objective: Growth

Lipper Fund Classification: *Small-Cap Value Funds***Fund Description:**

The investment objective of the Fund is to seek long-term growth of capital by investing in a diversified portfolio of securities, primarily common stock, of relatively small companies that management of the Fund believes have special investment value and emerging growth companies regardless of size. The Fund may be appropriate for long-term investors who are willing to accept the increased volatility associated with stocks of small-capitalization companies.^{2,4}

Small Cap Core**Columbia Small Cap Value Fund II Class Z**

Symbol: NSVAX

IVR Code: 14766

Fund Objective: Growth

Lipper Fund Classification: *Small-Cap Core Funds***Fund Description:**

The Fund seeks long-term capital appreciation. The Fund invests primarily in equity securities of U.S. companies that have market capitalizations in the range of the companies in the Russell 2000 Value® Index at the time of purchase. The Fund may invest in foreign securities and in real estate investment trusts. The Fund may be appropriate for long-term investors who are willing to accept the increased volatility associated with stocks of small capitalization companies.^{1,4,5}

Equity Funds

Global/International

BlackRock Global Dynamic Equity Fund Institutional Class

Symbol: MAEGX
 IVR Code: 13668
 Fund Objective: Growth
 Lipper Fund Classification: *Global Multi-Cap Growth*

Fund Description:

The Fund seeks to provide high total investment return. The Fund invests primarily in U.S. and foreign equity securities the Fund management believes are undervalued. The Fund generally seeks diversification across markets, industries, issuers, and countries located in North and South America, Europe, Australia, and the Far East as one of its strategies to reduce volatility. The Fund may invest in companies of any market capitalization and in both developed and emerging markets. The Fund may be appropriate for long-term investors who are willing to accept the increased risks of international investing for the additional opportunities and diversification provided by these investments.¹

BlackRock Global SmallCap Fund Class I

Symbol: MAGCX
 IVR Code: 518
 Fund Objective: Growth
 Lipper Fund Classification: *Global Small/Mid-Cap Growth*

Fund Description:

The investment objective of the Fund is to seek long-term growth of capital by investing primarily in a portfolio of equity securities of small-cap issuers located in various foreign countries and in the United States. The Fund may be appropriate for long-term investors who are willing to accept the increased risks of international investing for the additional opportunities and diversification provided by these investments.^{1,2,4}

BlackRock International Value Fund Class I

Symbol: MAIVX
 IVR Code: 609
 Fund Objective: Growth & Income
 Lipper Fund Classification: *International Large-Cap Value*

Fund Description:

The Fund's investment objective is to seek current income and long-term growth of income, accompanied by growth of capital by investing primarily in equities of companies in developed countries outside the United States that Fund management believes are currently undervalued in the market. The Fund may be appropriate for long-term investors who are willing to accept the increased risks of international investing for the additional opportunities and diversification provided by these investments.^{1,2}

Templeton Institutional Foreign Equity Fund Class I

Symbol: TFEQX
 IVR Code: 12423
 Fund Objective: Growth
 Lipper Fund Classification: *International Multi-Cap Core*

Fund Description:

The Fund seeks long-term capital growth. Under normal market conditions, the Fund invests at least 80% of its net assets in foreign (non-U.S.) equity securities. The Fund may invest a portion of its assets in smaller companies. The Fund may invest up to 5% of its total assets in swap agreements, put and call options and collars. The Fund may be appropriate for long-term investors who are willing to accept the increased risks of international investing for the additional opportunities and diversification provided by these investments.^{1,4,6}

Balanced Funds**U.S. Balanced**

BlackRock Balanced Capital Fund Class I

Symbol: MACPX

IVR Code: 31

Fund Objective: Growth & Income

Lipper Fund Classification: *Mixed-Asset Target Allocation Growth Funds*

Fund Description:

The investment objective of the Fund is to seek the highest total investment return through a fully managed investment policy utilizing equity, debt (including money market) and convertible securities. The Fund invests in equities and debt securities (including short-term securities). Fund management shifts the allocation among these securities types. The Fund will always invest at least 25% of total assets in fixed-income securities. The Fund may be appropriate for investors who wish to reduce the overall risk to their principal value by investing in more than one asset class.²

Dodge & Cox Balanced Fund

Symbol: DODBX

IVR Code: 480

Fund Objective: Growth & Income

Lipper Fund Classification: *Mixed-Asset Target Allocation Growth Funds*

Fund Description:

The Fund seeks regular income, conservation of principal and an opportunity for long-term growth of principal and income. The Fund seeks to achieve these objectives by investing in a diversified portfolio of common stocks, preferred stocks and bonds. The Fund may be appropriate for investors who wish to reduce the overall risk to their principal value by investing in more than one asset class.

Global Balanced

BlackRock Global Allocation Fund Class I

Symbol: MALOX

IVR Code: 156

Fund Objective: Growth & Income

Lipper Fund Classification: *Global Flexible Portfolio Funds*

Fund Description:

The investment objective of the Fund is to provide high total investment return through a fully managed investment policy utilizing United States and foreign equity, debt and money market securities, the combination of which will be varied from time to time both with respect to types of securities and markets in response to changing market and economic trends. The Fund may be appropriate for long-term investors who are willing to accept the increased risks of international investing for the additional opportunities and diversification provided by these investments.^{1,2}

Bond Funds

Investment Grade Bonds

BlackRock Total Return Fund Class I

Symbol: MAHQX

IVR Code: 162

Fund Objective: Income

Lipper Fund Classification: *Intermediate Investment Grade Debt Funds*

Fund Description:

The Portfolio seeks a high level of current income. As a secondary objective, the Portfolio seeks capital appreciation when consistent with its primary objective. The Portfolio invests primarily in investment grade, fixed-income securities of any maturity. The Portfolio may be appropriate for investors who desire the additional portfolio diversification provided by fixed-income investments.²

GSIF U.S. Government Zero Coupon Bond Series 3 - 2009 Trust

Symbol: N/A

IVR Code: 445

Fund Objective: Capital Preservation

Lipper Fund Classification: *Intermediate Investment Grade Debt Funds*

Fund Description:

The Trust seeks to provide safety of capital and high yield to maturity. The Trust invests primarily in a fixed portfolio of stripped U.S. Treasury securities that provide predictable yields to maturity. However, this security pays no current interest; instead, all of the interest is paid at maturity. If held to maturity (May 15, 2009), the Trust will provide approximately the estimated annual yield in effect at the time of the investor's purchase. If sold prior to maturity, the yield may be subject to market fluctuation. The U.S. Treasury securities are backed by the full faith and credit of the U.S. government, but the trust itself is neither insured nor guaranteed by the U.S. government.⁷

PIMCO Total Return Fund Institutional Class

Symbol: PTTRX

IVR Code: 673

Fund Objective: Income

Lipper Fund Classification: *Intermediate Investment Grade Debt Funds*

Fund Description:

The Fund seeks maximum total return, consistent with preservation of capital and prudent investment management. The Fund invests primarily in a diversified portfolio of fixed income instruments of varying maturities. The Fund may be appropriate for investors who desire the additional portfolio diversification provided by fixed-income investments.

Bonds and Cash Equivalents

High Yield Bonds

MainStay High Yield Corporate Bond Fund Class I

Symbol: MHYIX
 IVR Code: 1738
 Fund Objective: Income
 Lipper Fund Classification: *High Current Yield Funds*

Fund Description:

The Fund seeks maximum current income through investment in a diversified portfolio of high yield debt securities. Capital appreciation is a secondary objective. The Fund normally invests at least 80% of its total assets in all types of domestic and foreign corporate debt securities that are ordinarily rated in the lower rating categories of Moody's (Ba and below) and S&P (BB and below) or that are unrated but that are considered by MacKay Shields LLC, the Fund's Subadvisor, to be of comparable quality. The Fund may be appropriate for investors who are willing to accept the increased risk associated with lower-rated fixed-income securities.^{1,8}

Cash Equivalents/Stable Value

Merrill Lynch Premier Institutional Fund

Symbol: N/A
 IVR Code: 825
 Fund Objective: Income
 Lipper Fund Classification: *Institutional Money Market Funds*

Fund Description:

The Fund's objectives are to seek maximum current income consistent with liquidity and the maintenance of a portfolio of high quality short-term money market securities. The Fund tries to achieve its objectives by investing in a diversified portfolio of U.S. dollar denominated money market securities. The Fund may be appropriate for investors who desire a low-risk investment and are willing to forego the potential for capital appreciation.[†]

Merrill Lynch Retirement Preservation Trust

Symbol: N/A
 IVR Code: 123
 Fund Objective: Capital Preservation
 Lipper Fund Classification: *Stable Value*

Fund Description:

The Trust seeks to provide preservation of participants' investments, liquidity and current income that is typically higher than money market funds. The Fund is appropriate for investors who desire a low-risk investment and are willing to forego the potential for capital appreciation. The Trust is neither insured nor guaranteed by the U.S. government.[‡]

[†] An investment in the Fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in the Fund.

[‡] This is a collective trust that seeks to maintain a \$1 net asset value per unit, although achievement of that objective cannot be assured.

Other

Index Funds

Merrill Lynch Core Bond Enhanced Index Trust Tier III

Symbol: N/A
 IVR Code: 797
 Fund Objective: Income
 Lipper Fund Classification: *Intermediate Investment Grade Debt Funds*

Fund Description:

The Trust is a collective trust maintained by Merrill Lynch Trust Company to which BlackRock Investment Management, LLC provides nondiscretionary investment advice. The Trust seeks to provide investment results that, before expenses, replicate the total return of the Lehman Brothers Aggregate Bond Index. The Index is composed primarily of dollar-denominated, investment grade fixed-income securities. The Trust may invest in a statistically selected sample of fixed-income securities and other types of financial instruments.

Merrill Lynch Equity Index Trust Tier III

Symbol: N/A
 IVR Code: 18
 Fund Objective: Growth & Income
 Lipper Fund Classification: *S&P 500 Index*

Fund Description:

This is a collective trust maintained by Merrill Lynch Bank USA to which BlackRock Investment Management, LLC provides investment advice. The Trust seeks to provide investment results that, before expenses, replicate the total return of the Standard & Poor's 500 Composite Stock Price Index (S&P 500 Index). This Index is a means to measure the performance of a broad base of large U.S. corporations. The Trust invests primarily in a portfolio of equity securities (stocks) designed to substantially equal or "match" the performance of this Index, before expenses. The percentage of the Trust's interest in each stock will generally be the same as the percentage that a particular stock represents in the Index. However, certain factors may make the purchase of some stocks impracticable or unnecessary.

Merrill Lynch International Index Trust Tier III

Symbol: N/A
 IVR Code: 796
 Fund Objective: Growth
 Lipper Fund Classification: *EAFE Index*

Fund Description:

This is a collective trust maintained by Merrill Lynch Trust Company to which BlackRock Investment Management, LLC provides investment advice. The Trust seeks to provide investment results that, before expenses, replicate the total return of the Morgan Stanley Capital International EAFE (Europe, Australasia and Far East) Index. The Index includes equity securities of companies within various industries whose primary trading markets are located outside the U.S., including Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, The Netherlands, New Zealand, Norway, Singapore, Spain, Sweden, Switzerland and the United Kingdom. The securities in the Index are among the large-capitalization companies in these markets. In seeking this objective, Trust management may choose not to allocate investments among all of the countries or all of the companies within a country represented in the Index. Instead, the Trust may invest in a statistically selected sample of equity securities included in the MSCI EAFE Index and other types of financial instruments.¹

Merrill Lynch Small Cap Index Trust Tier III

Symbol: N/A
 IVR Code: 805
 Fund Objective: Growth
 Lipper Fund Classification: *Small Cap Index*

Fund Description:

The Trust is a collective trust that seeks to provide investment results that, before expenses, replicate the total return of the Russell 2000 Index. The Index is composed of approximately 2,000 smaller-capitalization common stocks from various industrial sectors. In seeking this objective, Trust management may choose not to allocate investments among all of the common stocks in the Index or in the same weightings as the Index. Instead, the Trust may invest in a statistically selected sample of the stocks included in the Russell 2000 and other types of financial instruments.⁴

Company Stock

Merrill Lynch & Co., Inc. Stock

Symbol: MER

IVR Code: 86

Objective: Growth

Description:

Merrill Lynch & Company Inc. company stock gives you an additional opportunity to share in the ownership of your company, with the potential for capital appreciation. This option is a single stock investment. As there are no other forms or types of investments in this option, the value of the stock stands on its own and generally carries more risk than do the mutual funds offered through the Plan.

Footnotes

¹ Investments in foreign securities involve special risks, including foreign currency risk and the possibility of substantial volatility due to adverse political, economic or other developments. These risks are magnified for investments made in emerging markets.

² BlackRock, Inc. and Merrill Lynch Investment Managers have combined to create a new independent company. As a result of this transaction, several Merrill Lynch Investment Managers funds, including this Fund, have been re-branded as BlackRock funds. Please see the Fund's prospectus for details on its investment objective(s) and investment strategies.

³ Because mid-capitalization stock prices have experienced a greater degree of market volatility than large-capitalization stock prices, investors should consider funds that invest in mid-capitalization stocks for long-term investment and should bear in mind that the higher return potential of mid-capitalization stocks is accompanied by additional business risk, significant stock price fluctuations and illiquidity.

⁴ Because small-capitalization stock prices have experienced a greater degree of market volatility than those of large-capitalization stocks, investors should consider funds that invest in small-capitalization stocks for long-term investment and should bear in mind that the higher return potential of small-capitalization stocks is accompanied by higher risk.

⁵ Because the Fund invests in securities of companies operating in the real estate industry, it is susceptible to the risks associated with the real estate industry. These include fluctuations in the value of the underlying properties, defaults by borrowers or

tenants, market saturation, property taxes, capital expenditures or operating expenses, and other economic, political or regulatory occurrences affecting the real estate industry.

⁶ A Fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. Derivatives are subject to a number of risks such as liquidity risk, interest rate risk, market risk, credit risk and management risk. A Fund investing in a derivative instrument could lose more than the principal amount invested.

⁷ Rising interest rates can reduce the price of your units, as the underlying bond values are inversely related to interest rates. This means, as prevailing interest rates rise, the value of the underlying bonds fall and as interest rates fall, the value of the underlying bonds increase. There are ongoing fees and expenses associated with owning units of this Trust.

⁸ Non-investment grade debt securities, commonly referred to as high-yield or "junk" bonds, may be subject to greater market fluctuations and risk of loss of income and principal than securities in higher rating categories.

Important note on Bond Funds: Return of principal is not guaranteed. Bond funds have the same interest rate, inflation, and credit risks that are associated with the underlying bonds owned by the fund. Generally, the value of bond funds rises when prevailing interest rates fall and falls when interest rates rise. There are ongoing fees and expenses associated with owning shares of bond funds.

Your Rights Concerning Employer Securities

For plan years beginning after December 31, 2006, the Plan must allow you to elect to move any portion of your account that is invested in company stock from that investment into other investment alternatives under the Plan. This right extends to all of the company stock held under the Plan. In deciding whether to exercise this right, you will want to give careful consideration to the information below regarding the importance of diversification. All of the investment options under the Plan are available to you if you decide to diversify out of company stock.

The Importance of Diversifying Your Retirement Savings

To help achieve long-term retirement security, you should give careful consideration to the benefits of a well-balanced and diversified investment portfolio. Spreading your assets among different types of investments can help you achieve a favorable rate of return, while minimizing your overall risk of losing money. This is because market or other economic conditions that cause one category of assets, or one particular security, to perform very well often cause another asset category, or another particular security, to perform poorly. If you invest more than 20% of your retirement savings in any one company or industry, your savings may not be properly diversified. Although diversification is not a guarantee against loss, it is an effective strategy to help you manage investment risk.

In deciding how to invest your retirement savings, you should take into account all of your assets, including any retirement savings outside of the Plan. No single approach is right for everyone because, among other factors, individuals have different financial goals, different time horizons for meeting their goals, and different tolerances for risk. In addition, if you can invest in company stock through the Plan, you should carefully consider your rights to diversify your Plan investments and how these rights affect the amount of money that you invest in company stock through the Plan. It is also important to periodically review your investment portfolio, your investment objectives, and the investment options under the Plan to help ensure that your retirement savings will meet your retirement goals.

For more information, please visit the Department of Labor website at www.dol.gov/ebsa/investing.html.

Your right to direct your Plan investments is subject to an important limitation imposed by the Plan. For some funds, you are not permitted to engage in an offsetting trade (where you buy and sell or sell and buy) shares of the same Plan investment option within any period of 15 business days. For example, if you sold shares of a certain mutual fund on March 1, you would not be permitted to buy shares of the same mutual fund until March 21. However, there would be no restriction on your ability to sell further shares of this mutual fund during the 15 business day period. This limitation does not apply to certain investment options under the Plan; go to www.benefits.ml.com or call Merrill Lynch at 800.MER.401K for details. In addition, some Plan funds may impose their own trading restrictions, which may or may not be more restrictive than the 15 business day restriction imposed by the Plan. You should consult the fund prospectuses for further details on any such fund-specific trading limitations.

Glossary

Adjustable Rate Security: A security whose interest rate varies according to a predetermined measure of interest rates in the current market.

American Depositary Receipts (ADRs): Receipts for the shares of a foreign-based corporation held in the vault of a U.S. bank and entitling the shareholder to all dividends and capital gains.

Annual Effective Yield: The rate of return of an investment over a stated period, expressed on an annual basis, including capital gains or losses, if any. This term, when used in reporting performance for income-oriented investments, means essentially the same as total return.

Asset: Any possession with value.

Australasia: The islands of the southern Pacific Ocean, including Australia, New Zealand, and New Guinea.

Bond: Evidence of loans to corporations and governments. The borrowers promise to repay the loan by a certain date and to pay interest regularly to the investors until the loan is repaid. The average maturity is typically less than three years for a short-term bond, three to seven years for an intermediate-term bond and greater than seven years for a long-term bond.

Bottom-Up Stock Selection: The method in which an investor searches for outstanding performance of individual stocks before considering the impact of economic trends.

Capital: Wealth in the form of money or property that is usually available for investment. The term can also be used to represent the initial amount invested.

Capital Appreciation: An increase in the market value of an investment or property.

Capital Markets: Markets where debt and equity are traded, such as stock exchanges.

Cash Equivalent: A short-term investment with a relatively low degree of risk that can be converted to cash quickly.

Certificate of Deposit (CD): An IOU issued by a commercial bank or savings and loan association. It promises to pay principal and a fixed rate of interest.

Collective Trust: A type of investment fund operated by a bank or trust company for pension and employee benefit plan money. Since a collective trust is not a registered investment company, it is not publicly quoted, and its performance cannot be tracked in the newspaper. However, it does provide the same benefits of diversification and professional management as a mutual fund.

Commercial Paper: A promise to pay a certain sum of money (on a specified date or on demand) issued by corporations or banks in need of short-term cash. Maturity dates range from 2 to 270 days.

Convertible Security: Usually a bond or preferred stock that may be exchanged for a fixed number of shares of common stock.

Debt Security: General term for any security that represents money that has been loaned and must be repaid to the lender at a future date. Examples include bonds, commercial paper and certificates of deposit.

Diversification: Spreading of risk by investing assets in several asset classes.

Dividend: Income paid to shareholders. Usually, dividends are paid four times a year. Dividends in your 401(k) and retirement accounts are reinvested in the investment from which they are paid.

Dow Jones Industrial Average: Price-weighted average of 30 actively traded blue-chip stocks. Prepared and published by Dow Jones & Company, it is the oldest and most widely quoted of all of the market indicators.

Emerging Markets: Newly emerging second- and third-world countries in the regions of the Far East, Africa, Europe, and Central and South America.

Enterprise Value: What an entire company would be worth to a buyer.

Equity: Stock that represents ownership in a corporation. Owners of the stock are known as shareholders.

Fixed-Income Security: An investment vehicle whose level of current income, as defined by the security's coupon or dividend rate, is fixed for a stipulated period of time, usually the life of the security.

Foreign Security: A security that designates ownership or creditorship in a governmental body or corporation located outside the U.S.

Futures Contract: Agreement to buy or sell a security at a certain price in an agreed-upon future month.

Global Security: A security that designates ownership or creditorship in a governmental body or corporation located anywhere in the world, including the U.S.

Growth Stocks: Stocks that have shown above-average earnings growth that is expected to continue at a higher rate relative to the overall market.

Guaranteed Investment Contract: Contract with an insurance company that guarantees a specific rate of return, over the life of the contract, on the money invested.

Hedge: A strategy designed to offset investment risk.

Income: Earnings, generally from interest or dividends, that are credited or paid to an investor.

Inflation Risk: The risk that inflation will erode the value of an investment. Investments with low historical earnings generally have more inflation risk than investments that have higher earnings.

Interest: The cost of using money. A borrower pays interest to a lender, usually a percentage of the loan amount.

International Equity: An ownership interest in a corporation located outside the U.S.

Investment Grade Security: A bond with a rating of BBB or higher.

Issuer: A corporation, trust, municipality or government that is legally empowered to issue and distribute its own securities.

Large Cap Equity: Generally, the stock of companies with market capitalizations over \$5 billion. These seasoned companies, sometimes referred to as "blue-chips" in the U.S., often have long histories of solid returns. Large-cap stocks tend to be relatively stable compared with other stocks, but like all stocks, they have the potential for volatility.⁹

Liquidity: The quality of an asset that permits it to be converted quickly into cash without a significant loss of value.

Market Capitalization: The value of a corporation based on the price of all of its common stock.

Market Risk: The risk associated with the movement of an investment's price. If an investment's price generally fluctuates widely, there is a risk that the price may move up or down shortly before or after a sale or purchase.

Market Value: The current price of an asset, as generally indicated by the most recent price at which the asset was traded on the open market.

Maturity: The date on which a debt instrument (bond) must be repaid.

Mid Cap Equity: Generally, the stock of companies with market capitalizations between \$2 billion and \$5 billion. These stocks can be more volatile than large-cap stocks, but have the potential for higher relative returns.⁹

Money Market Security: A short-term debt security that can offer a high degree of liquidity and relative safety. Examples include U.S. Treasury bills, certain certificates of deposit and commercial paper. *Although a money market fund seeks to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in the fund. The fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency.*

⁹ Please note that the definitions of small-, mid-, and large-cap companies are generalizations only, and are subject to change. In addition, individual mutual fund managers may use different definitions for specific funds. You are encouraged to read the prospectus carefully to determine the market capitalization specifications of any individual mutual fund.

Moody's Investors Service: A well-known bond rating agency and subsidiary of Dun & Bradstreet. The Service's ratings of corporate and municipal bonds are a widely used standard in the industry.

Morgan Stanley Capital International EAFE (Europe, Australasia, and Far East) Index (MSCI EAFE): This index replicates the industry composition of the stock exchanges in the developed international markets excluding the U.S. It includes Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, The Netherlands, New Zealand, Norway, Singapore, Spain, Sweden, Switzerland and the UK. The types of stocks represented here are a sampling of large-, medium- and small-capitalization companies from each market, taking into account the stocks' liquidity.

Mutual Fund: A portfolio of stocks, bonds and/or cash equivalents. Mutual funds are actively managed; this means the portfolio manager buys and sells securities in an attempt to take advantage of current or expected market conditions.

Net Asset Value (NAV): The market value of a single mutual fund share, calculated by subtracting the fund's liabilities from its assets, and then dividing the result by the number of shares outstanding.

Option: The right to buy or sell an asset for an agreed-upon sum for a specified period.

Portfolio: The mix of stocks, bonds and other assets owned by an individual, or by an entity such as a mutual fund.

Price/Earnings Ratio (P/E): The price per share divided by the earnings per share.

Principal: The amount invested or borrowed, not including any interest or dividends.

Principal Risk: The risk that an investment will be worth less at the time it is sold than it was worth when it was bought.

Risk: See Market Risk, Inflation Risk and Principal Risk.

Security: An instrument that signifies an ownership interest in a corporation (equities or stocks) or a creditor relationship with a corporation or governmental body (bonds).

Small Cap Equity: Generally, the stock of companies with market capitalizations of less than \$2 billion. Since companies in this category often are new companies with short histories, they can have the highest degree of risk, but have the highest potential for growth.⁹

Standard & Poor's Ratings Group: A well-known bond rating agency and subsidiary of The McGraw-Hill Companies. The Group's ratings of corporate and municipal bonds are a widely used standard in the industry.

Stock: An investment represented by an ownership certificate or transferable evidence of ownership of a corporation. Also referred to as equity.

Top-Down Sector Analysis: The method in which an investor first looks at trends in the general economy, selects industries, and then identifies companies that may benefit from those trends.

Total Return: The rate of return of an investment, including all dividends and interest, plus or minus any change in the value of the asset. Also, an investment strategy that seeks a combination of growth and income.

U.S. Government Security: A security issued by the U.S. government. Examples include Treasury notes, Treasury bills and Treasury bonds.

Value Stocks: Stocks that are believed to be currently underpriced relative to the issuing company's assets or potential earning capabilities.

Yield to Maturity: The rate of return that an investor in a bond will receive if the bond is held to maturity.

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